

UNITED STATES INTERNATIONAL TRADE COMMISSION

**CERTAIN APPAREL OF FINE-YARN, HIGH-COUNT
WOVEN FABRICS FROM AGOA COUNTRIES**

Investigation No. 332-436-003

April 2002



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-003¹

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| Products | Certain apparel of fine-yarn, high-count woven fabrics from AGOA countries |
| Requesting Party | Esquel Enterprises Limited of Hong Kong and Textile Industries Limited in Mauritius |
| Date of Commission Report: USTR PUBLIC | April 11, 2002 April 2002 |
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON APRIL 11, 2002. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of certain trousers, shorts, skirts, dresses, handkerchiefs, dressing gowns, boxer shorts, and certain other apparel products made in countries eligible for preferential treatment under the African Growth and Opportunity Act (AGOA) from certain fine-yarn, high-count, woven fabrics, regardless of the source of the fabrics, could have some adverse effect on affected U.S. yarn producers and their workers, a slight adverse effect on affected U.S. fabric producers and their workers, and a negligible adverse effect on U.S. apparel producers and their workers. U.S. consumers would likely benefit from any duty savings resulting from the proposed preferential treatment.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the AGOA and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on February 28, 2002, alleging that certain fine-yarn, high-count woven fabrics for use in trousers, shorts, skirts, dresses, handkerchiefs, dressing gowns, boxer shorts, and certain other apparel cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for such apparel made in eligible AGOA beneficiary countries from such fabrics, regardless of the source of the fabrics. The

¹ Commissioner Marcia E. Miller did not participate in this review.

² For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Brief discussion of the product

The woven fabrics named in the petition are classified in the Harmonized Tariff Schedule of the United States (HTS) under a large number of provisions, depending on such factors as the fiber in chief weight, whether the fabric is finished or unfinished, and the fabric weight.⁴ The fabrics are fine-yarn, high-count, light-weight fabrics⁵ of cotton or manmade fibers; made of various plain weaves, such as poplin, broadcloth, sheeting, printcloth, oxford, twill, and satin, and most of them have an average yarn number exceeding 135 metric.⁶

The subject fabrics are for use in higher priced women's and men's apparel, such as trousers, shorts, skirts, dresses, dressing gowns, boxer shorts, and apparel accessories, particularly handkerchiefs.⁷ A representative of the petitioners stated that one of the petitioners, Esquel, a Hong Kong-based apparel producer that manufactures apparel in AGOA eligible countries, has received inquiries from customers about producing these apparel products from the subject fabrics.⁸ The subject apparel products made from the subject fabrics are classified in HTS chapter 62, which provides for articles of apparel and clothing accessories of textile materials, not knitted or crocheted. The normal trade relations rates of duty on the subject apparel range mostly from 4.5 percent to 16.8 percent ad valorem.

Certain apparel products made of the subject fabrics are already eligible for preferential treatment under "short supply" provisions. Men's woven shirts made of the subject fabrics, regardless of the source of the subject fabrics, are considered to originate in North America and thus are eligible for duty-free and quota-free treatment under the North American Free Trade Agreement (NAFTA).⁹ The Trade and Development Act of 2000 includes this exemption in both section 112 of the AGOA and section 211—the Caribbean Basin Trade and Partnership Act (CBTPA).¹⁰ Women's and girls' blouses and nightwear made of the subject fabrics became eligible for preferential treatment under the AGOA on September 24, 2001.¹¹ CITA designated blouses and nightwear that are both cut and sewn or otherwise assembled in an eligible AGOA country, from these fabrics, as eligible for quota-free and duty-free treatment under the textile and

³ In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

⁴ The fabrics are classified in HTS subheadings 5208.21, 5208.22, 5208.29, 5208.31, 5208.32, 5208.39, 5208.41, 5208.42, 5208.49, 5208.51, 5208.52, 5208.59, 5210.21, 5210.31, 5407.81, 5407.82, 5407.83, 5513.11, and 5513.21.

⁵ Fabrics woven with yarns having an average yarn number exceeding 135 metric are very light-weight fabrics, weighing less than 200 grams per square meter or 5.9 ounces per square yard, according to an official of the American Textile Manufacturers Institute (ATMI), Washington, DC, telephone interview by Commission staff, Mar. 20, 2002.

⁶ According to many industry sources, in general, an average yarn number of 135 metric is equal to an 80s single cotton yarn, based on the English cotton count. See discussion which follows in text for a more detailed definition of 135 metric.

⁷ The apparel articles are classified in HTS subheadings 6201.92, 6203.19, 6203.22, 6203.42, 6204.12, 6204.22, 6204.42, 6204.52, 6204.62, 6207.11, 6207.91, 6207.92, 6208.19, 6208.91, 6211.32, 6211.42, 6213.20, and 6217.90.

⁸ Ronald J. Sorini, Senior Trade Advisor, Sandler, Travis, & Rosenberg, P.A., Washington, DC, telephone interview with Commission staff, Mar. 21, 2002.

⁹ Subheading rule preceding GN 12(t)/62.30. On Feb. 26, 2002, CITA received a petition from ATMI requesting CITA to commence consultations with the governments of Canada and Mexico for the purpose of amending the rules of origin set forth in Annex 401 of the NAFTA for men's woven shirts classified in HTS subheadings 6205.20-6205.30. In particular, ATMI requested that paragraph (c) (which describes certain fabrics for use in the manufacture of the subject men's woven shirts) of the subheading rule applicable to HTS subheadings 6205.20-6205.30 be deleted. ATMI stated in its petition that Dan River, Inc., currently produces a line of fabric which meets one of the descriptions in paragraph (c).

¹⁰ See U.S. Customs Service's Textile Bulletin Notice (TBT 02301).

¹¹ See *Federal Register* of Sept. 25, 2001 (66 F. R. 49005-49007).

apparel short supply provisions of the AGOA, thereby covered by HTS subheading 9819.11.24 and allowed to enter free of quotas and duties.

Brief discussion of affected U.S. industries, workers, and consumers

There is believed to be one U.S. firm producing finer yarns domestically which are woven into the subject fabrics—Buhler Quality Yarns Corporation, Jefferson, GA. ***12***13***14***

According to a submission to CITA by the American Textile Manufacturers Institute (ATMI), Dan River, Inc., Danville, VA, produces or is capable of producing three of the categories of fabrics included in the petition.¹⁵ These fabrics are made primarily of cotton or blends with manmade fibers, may be bleached or dyed or made of yarns of different colors, are made of plain weave construction, and consist primarily of oxford cloth and broadcloth and, to a lesser extent, poplin, twill, satin, and sheeting. Dan River produces primarily oxford cloth and broadcloth for the men's shirting market, and to a lesser extent, for the blouse market. The submission also emphasizes that because Dan River produces fabrics of 80s 2-ply yarn and the conversion of a yarn number of 135 metric results in a yarn number of 79.76 English (cotton) count, it follows that Dan River produces fabrics with an average yarn number exceeding 135 metric. According to the U.S. Customs national import specialist for the subject fabrics, a yarn with an average yarn number of 135 metric is equivalent to a yarn number of 79.72 English (cotton) count.¹⁶ However, the average yarn number is likely to vary when a starch, sizing, or dye is applied to the yarn or when the yarn is woven into fabric and a starch, sizing, or dye is applied to the fabric. The heavier the yarn, the lower is the yarn number. Therefore, if a fabric is woven with a yarn which has an average yarn number of 80 English (cotton) count system, that is slightly over 135 metric, and the fabric is then dyed, the average yarn number of the yarns in the fabric will be less than 80 or less than 135 metric because the dye will increase the weight of the yarn and, thus decrease the average yarn number.

Dan River has a vertically integrated operation to spin fibers into yarn, weave the yarn into fabric, and dye or otherwise finish these materials at different stages of production. The firm has ***17 An official of Dan River stated that the company has the capacity to meet current U.S. demand for the 80s 2-ply yarn which is then woven by Dan River into the subject fabrics.¹⁸

A trade source, whose company imports many of the subject fabrics, stated that to the best of his knowledge, many of the subject fabrics made with yarn of an average yarn number exceeding 135 metric are not made in the United States.¹⁹ He also stated that it is less expensive to purchase the fabric from India, for example, than to produce the fabric in the United States. ***20***21

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¹⁵ Charles V. Bremer, Director, International Trade, ATMI, written submission to CITA, Mar. 22, 2002.

¹⁶ Alan Tytelman, U.S. Customs national import specialist, New York, NY, telephone interviews by Commission staff, Apr. 1 and Apr. 4, 2002.

¹⁷ Jim Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interviews by Commission staff, Mar. 20 and 26, 2001.

¹⁸ Jim Martin, President, Apparel Fabrics Division, Dan River, Inc., telephone interview by Commission staff, Apr. 4, 2002.

¹⁹ Murray Yenis, President, Sheck, Rosenblum, Sierra Textiles, Inc. (SRS Textiles), New York, NY, Mar. 11, 2002.

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²¹ *** The prices of the fabrics have been converted from price per linear yard to price per square meter to make the foreign and the U.S. prices comparable.

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice²²

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of the subject apparel made in eligible AGOA beneficiary countries from the subject fabrics, regardless of the source of the fabrics, could have some adverse effect on affected segments of the U.S. yarn sector, a slight adverse effect on affected segments of the U.S. fabric sector, and a negligible effect on affected segments of the apparel industry. *** The one U.S. fabric producer, Dan River, Inc., which reportedly produces or can produce some of the subject fabrics, may experience a slight adverse effect. However, it currently markets this fabric primarily for the production of men's shirts, and to a lesser extent women's blouses, both of which already receive preferential treatment under the AGOA. Dan River is currently not producing much, if any, of the subject fabrics, for the production of the apparel which are the subject of this review, such as trousers, shorts, skirts, dresses, boxer shorts, and handkerchiefs. ATMI's submission to CITA states that trousers, shorts, and skirts are generally not made of many of the subject fabrics because the fabrics are too light weight. In addition, the U.S. markets for many of the subject apparel made of the subject fabrics—skirts, dresses, dressing gowns, and handkerchiefs—are believed to be relatively small and supplied largely by imports. To the extent that imports from eligible countries increase, these imports would likely displace imports from other countries to a greater degree than they would displace U.S. production, and hence, there would likely be a negligible adverse effect. U.S. apparel companies that may produce apparel from the subject fabrics domestically are likely to be few and tend to produce these items domestically to supply market niches in which quick turnaround is important.

U.S. distributors and consumers of the subject apparel would likely benefit from the proposed preferential treatment, because importers are likely to pass through some of the duty savings, given the highly competitive apparel market.

²² The Commission's advice is based on information currently available to the Commission.